

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
	:	16-NOI-01
Notice of Inquiry Regarding the	:	
Regulatory Treatment of Cloud-	:	
Based Solutions	:	

MIDAMERICAN ENERGY COMPANY’S RESPONSE TO NOTICE OF INQUIRY

On April 29, 2016, MidAmerican Energy Company (“MidAmerican”) along with various parties provided the Illinois Commerce Commission (“Commission”) with comments in response to Commission specific questions based on various topics regarding cloud-based solutions, in general, and ratemaking treatment, in particular. Generally, the comments reflect different experiences with the various cloud services or provide specific technical detail regarding certain cloud services. As Commonwealth Edison Company (“ComEd”) observed, “cloud computing hosting solutions can be implemented in many different ways.” ComEd Comments at 1. Many of the comments, including MidAmerican’s comments, outlined how various solutions were used and how different security risks were addressed. Therefore, the comments make clear that different circumstances warrant different information technology approaches.

MidAmerican offers general reply comments to the People of the State of Illinois’ (“People”) comments regarding ratemaking treatment for cloud services. Notably, the People’s comments address one Commission question regarding ratemaking treatment. The People theorize that a “utility will decline to make prudent, least cost expenditures.” People’s Comments at 4.

MidAmerican respectfully points out that a prudent cost is not always the least-cost expenditure. Instead, to determine the most prudent investment, many factors must be examined, including the purpose of the investment. For example, regulatory requirements, such as the North American Electric Reliability Corporation critical infrastructure protection requirements, may preclude using a safety and reliability cloud-based solution hosted by a public cloud. In this example, a cloud-based solution may be the least-cost investment, but the investment would not be prudent because the utility would not be in compliance with the regulatory requirements. See *also* ComEd Comments at 17.

The People's comments ignore this distinction and imply that cloud-based solutions are the least-cost investment and therefore, must be prudent. People's Comments at 4 and 8. Since least-cost may not always be the most prudent decision, MidAmerican recommends the Commission evaluate decisions to invest in either cloud-based solutions or on-premises solutions on a case by case basis. The Commission should evaluate whether the decision is generally based on the economic costs and benefits for the particular solution. MidAmerican Comments at 11. This process will assure that rates are just and reasonable as advocated by the People. People's Comments at 1-2.

Additionally, the People take the position that generally accepted accounting principles ("GAAP") would apply to account for all utility investments. People's Comments at 2, 6-7. GAAP accounting treatment, however, does not preclude the Commission from applying any unique ratemaking treatment on a case by case basis. MidAmerican respectfully points out that none of the comments filed by the other parties

suggest that GAAP should not apply. The comments merely suggest that there are areas where GAAP may not address specific circumstances. See *e.g.* Ameren Illinois Comments at 24; ComEd Attachment 1.

For example, Ameren Illinois points out that the Financial Accounting Standards Board (“FASB”) does not address guidance regarding the accounting treatment for upfront implementation costs. Ameren Illinois Comments at 24. Additionally, Ameren Illinois provides the Commission with specific circumstances where alternative ratemaking treatment may be warranted because FASB is silent on the accounting treatment. Ameren Illinois Comments at 23-26. This example highlights the need for the Commission to evaluate investments and evaluate requests for unique ratemaking treatment on a case by case basis. Indeed, Illinois American Water agrees that “unique ratemaking solutions can be targeted to certain investment types.” Illinois American Water Comments at 8.

MidAmerican respectfully requests the Commission consider all the ratemaking options presented by the various parties and remain flexible in the application of ratemaking treatment. The Commission has the flexibility to address solutions through a rulemaking and individual rate cases. This flexibility will allow the Commission to examine each request for ratemaking treatment based on the individual circumstances of the investment.